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IN OUR OWN NEIGHBORHOOD

By Richard Pattee

Mr. Sumner Welles, who in his long diplomatic service did much to build the Good Neighbor Policy, has been saying over and over again during the past three years that it has virtually ceased to be effective in inter-American relations.

Scarcely a day passes without speculation that Spruille Braden, Assistant Secretary of State in charge of relations with the other American Republics, will go into eclipse. It is no longer a secret that Mr. Braden and Mr. George Messersmith, United States Ambassador in Buenos Aires, now recalled to Washington for consultation, do not agree on the important matter of dealing with President Perón of Argentina.

Political and economic unrest mount in much of Latin America.

The triumph of Leftism in Chile with the admission of three Communists to the Cabinet; the socialistic utterances of deposed Getulio Vargas in Brazil; the Aprista-dominated setup in Peru; the shaky Venezuelan situation, where Rómulo Betancourt finds himself in anything but a secure position in spite of the election victory; the shift to the right in Mexico, with unpredictable results as far as the old left-wing professional revolutionaries are concerned; the rising tension in Cuba, with growing Communist influence very prominent -- these portents are but a few of the reasons why the United States cannot allow inter-American relations to become a matter of bureaucratic routine.

Strategic importance has lessened with the end of the war. But there could be no more tragic post-war development than a slackening of our still recent determination to promote inter-American solidarity.

Yet Latin America has long been concerned over the possibility that the end of the war would see a revulsion against the courtship that began in 1933, and was mightily helped along by an abundance of dollars. There is some truth in the assertion that the United States in its whirlwind effort to win the hearts of 20 other republics, moved too fast and with too much. One recalls the caustic comment of Erico Verissimo, the Brazilian literary critic, that Brazil was discovered in 1500 by Alvarez Cabral and in 1940 by Nelson Rockefeller.

II

Latin Americans are by no means naive. Whatever their faults, guile and innocence are not among them. As the dollars poured in; as airfields, barracks, docks, army bases and other forms of economic development were hastily thrown together under our direction, there were always those South Americans who wondered what was going to happen when the glamor wore off.

Would the United States drop the whole business as soon as Germany and Japan went under? This fear was manifest at Mexico City during the Inter-American Conference of February and March of 1945, as was evidenced by the extraordinarily large number of resolutions on social and economic matters approved, all to the end of cushioning the shock of reconversion and the transition to peace.

There was fear that the United States would take another line after the exit of Messrs. Hull, Welles and Company. There was doubt as to Mr. Stettinius, who obviously knew little of what it was all about. There was uncertainty about the new setup under President Truman and Secretary Byrnes. To Latin American governments, the foreign policy of the United States is very much a matter of personalities. Their officials are not dealing with some theory, but with a person in the Department of State who confronts issues and makes decisions.

Latin Americans knew Under Secretary Sumner Welles and appreciated his attitude. They did not know the new diplomatic leadership which came to power in the midst of negotiations for a settlement in Europe, entangled with global issues that seemed to draw the United States farther and farther away from its strictly hemisphere interests.

General political trends in present-day Latin America are, of course, important. Mr. W. H. Lawrence, concluding a four months' survey for the New York Times, asserts (issue of December 29) that:

"... Communist parties, loyal to Moscow, have made greater progress and constitute a greater challenge to the United States in Latin America than ever was the case of Nazi and Fascist parties loyal to Berlin, Rome and Madrid."

But Leftism, as we usually define it, does not have too much meaning in Latin America. General Perón is accused simultaneously of being a Fascist who harbors Nazi exiles and as a labor agitator who has done more than any other political leader to arouse the working masses of Argentina. The most important consideration is that Latin America is economically unsettled, torn by inflation, faced with a revival of competition in agricultural products, industrially backward and with no immediate promise of being able to do anything about it.

People everywhere, from Nuevo Laredo to Valdivia, are acutely

aware that their economic future is uncertain and that the old order, especially as it relates to British and American capitalism, is an outworn and outmoded arrangement which simply cannot be brought back again.

III

The Good Neighbor Policy, as originally promulgated, asserted that respect for sovereignty, juridical equality and non-intervention should be the guiding principles. The last was probably the most important.

When Secretary Hull stated at Montevideo in 1933 that the United States renounced intervention as an instrument of national policy, he was roundly applauded. This was in marked contrast to the frigid reception given Charles E. Hughes at Havana in 1928, when American Marines were cluttering the landscape of some of the "banana republics."

The average American citizen has no notion whatever of the emotional meaning of the word "Intervention," or of the fact that no expression in the political lexicon of Latin America is so charged with significance as is this word. Latin Americans have always displayed a pronounced allergy to intervention and all of its implications. So it is one of the eternal curiosities of American diplomatic conduct that we have tried again and again to achieve an end through pressure politics, threats of non-recognition, diplomatic manoeuvring and, as a last extremity, the landing of armed forces for alleged reasons of public order. The method has never worked and never will work.

Latin America has an extremely long historical memory. During the height of the Argentine controversy, as our Department of State denounced Argentina as a menace to the peace and tranquillity of the world, Mexican newspapers found a parallel in their own tragic experience in 1916 and 1917, when American warships bombarded Vera Cruz and General Pershing chased Francisco Villa through the sagebrush and cactus of Chihuahua and Coahuila. Out of this sense of historical analogy springs the considerable Latin American sympathy for Argentina now.

It is strange that we should not have learned to lay off political interference. Even aside from the ethics involved, it does not pay dividends. The practice has left us a residue of ill will which we had barely begun to overcome after 1933.

A remarkable sense of solidarity is created in all Latin America by any North American outrage against the sovereignty of any southern Republic. When Haiti and Nicaragua were victims of our intervention, Argentine, Chilean and Peruvian papers and meetings repeatedly emphasized the feeling of common affront that all of Latin America had received. When the United States officially warned the people of Argentina not to elect a man whom the Department of State described as little

less than a war criminal, the Argentine electorate unhesitatingly gave their votes against Mr. Braden and to General Juan Domingo Perón. Our vehement intervention was abominable psychology, regardless of the excellence or the fault of the objective itself.

IV

It is here that we discover the major weakness in the inter-American system as it functions today. The United States has not utilized, to the full degree that is desirable, the machinery for inter-American consultation that we ourselves were instrumental in creating. Instead of following a careful, cautious policy of consultation with the other republics, prior to every step taken in the Argentine question, we carried on what looked like a personal feud. One of the results has been to split the developing inter-American solidarity wide open, with the evident leftist swing as a not unnatural consequence.

At Mexico City we gave the impression that we were more interested in keeping Argentina out of the inter-American system than we were in making that system work. When the United Nations was being launched at San Francisco, we tended to be coy about Argentine membership until the Latin Americans themselves said they would not abandon established regionalism for any new and unpredictable universal organization.

The Latin American States were forced to argue that it was outrageous to exclude Argentina from membership in the United Nations, as some Americans demanded, while admitting such fake governments as those of White Russia and the Ukraine. In short, we have not managed to maintain the lofty pitch to which inter-American policy was keyed for the decade after 1933. We have not adhered closely to the consultative idea, which may be slow but pays off far more profitably than coercion.

Latin American confidence in the United States is diminishing. Lately we have lost an enormous amount of ground, with the added disadvantage that to regain it we shall now have to overcome new Latin American mental reservations. These are the product of the blundering in our own neighborhood which has been coincident with, if not the result of, the mounting difficulties of a general post-war settlement.

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Not Merely Gossip *A Supplement to Human Events*

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By Frank C. Hanighen

January 8, 1947

In not one word or phrase of his opening speech to Congress did the President mention or show any realization of the paramount issue today: Man versus the State. If he had any sense of this great struggle, he would have asked, in terms of congressional action, for the reduction of Executive powers, the recapture of many of these by the Legislature and the return of others to the several States. It should be unnecessary to describe the vast proportions of the movement, over the past 14 years, which has transferred precious functions from local communities, State and Federal Congress to the hands of a swelling bureaucracy. The attitude -- implicit not only in Mr. Truman but also in many members of Congress -- that this is normal and necessary has become astonishingly common.

The dangerous habit of personalizing great issues may have contributed to this situation and may hamper long-needed reforms. To the extent that Republicans stormed about "that man in the White House," to just that extent did they fail to perceive that it was not a conflict between conservatives and Franklin D. Roosevelt, but between constitutional government and the insatiable appetite of the State. The "gay deformer" of our checks-and-balances system has passed on; but many members of Congress seemingly fail to realize that his ideas and practices all too lustily survive him.

In contrast to Mr. Truman, Senator Taft, in his scantily reported radio speech of January 3, did touch on the essential task: "An immediate study should be made of various powers and New Deal laws, in order to eliminate many of the powers of the administrative boards." The problem, indeed, is enormous and requires study. Even the new augmented technical staff of Congress faces such a formidable job that leaders of Congress anticipate no definite action this year. Some say that nothing can be accomplished along this line unless and until a Republican President takes over power in 1948. While some of those Republicans mentioned as likely candidates could doubtless be trusted to perform the needful operation on the Executive arm of government, there is a legitimate suspicion that an Executive will hardly exert himself to surrender any of his powers.

Meanwhile, the least that Congress can do is to clarify this issue, so conspicuously ignored by the President, and to outline definitely a program of reform.

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The latest "one who survived," Kiril Alekseev, late of the Soviet Commercial Mission to Mexico City, is described as being by far the best type of refugee from Red Utopia to appear so far. He was a more important official, and reportedly has greater intellectual attainments and ability than Kravchenko, Gouzenko and another shadowy figure whose presence in America has not yet been officially announced. An expert on aviation and light alloys, Alekseev also has an extensive knowledge of Russian plans in Latin America. The hush-hush services which have taken him under their protection are not likely to surrender him to the Soviets which demand his extradition.

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President R. R. Young of the Chesapeake & Ohio Railroad has a formidable weapon if he pursues his reputed ambition to secure control of the New York Central, say

financial observers. The famous railroad promoter is no mean publicity artist and the burden of his utterances, it is noted, is "relief for the poor stockholder" and "service to the public." The latter objective can lead to the former, as the Young rail empire has shown; and therefore disconsolate shareholders in other roads may be growing restless. It is said that Young controls the C & O with possession of only 5 per cent of the stock. When and if the battle of proxies in Central begins, a fine record in the C & O and a new evangel may prove at least as potent as ownership of large blocs of stock.

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"The PCA is a political holding company which a political SEC would not hesitate to disqualify." This is the way some political observers characterize Henry Wallace's new "Progressive Citizens of America." This organization seems to have taken over the assets and liabilities (mostly the latter) of Sidney Hillman's Citizens' Political Action Committee, as well as the Independent Citizens Committee of the Arts, Sciences and Professions. Meanwhile, the CIO-PAC, parent of Hillman's child, remains outside the setup, has not changed its spots and shows no intention of doing so. The low common denominator of all these organizations is a vast tenderness for the Soviet Union, and a fascination for the idea, if not the substance, of a Third Party. For further developments, see the Daily Worker.

Last week another left-wing organization held its meeting and sharply distinguished itself from PCA. "Americans for Democratic Action" is headed by Mrs. Eleanor Roosevelt, Chester Bowles, Leon Henderson and other New Dealers. These elements want to stick to the Democratic Party and influence it from within; and they say they want no Communists within their ranks. How resolutely they will exclude the latter remains to be seen. As ADA members departed from Washington, there came a report that still a third left group would gather here ere long.

All this -- save the huggermugger of "front" committees -- is reminiscent of the situation after World War I -- fragmentation on the Left. At that time the devotees of Moscow split off from the Socialists and formed the Communist Party. A Farmer-Labor Party arose and nominated Parley P. Christensen for President, then vanished. Among "bourgeois" liberals, Pinchot's Committee of Forty Eight had its little day among the disciples of the New Dealers of the Wilson era. Yet 12 years later these elements moved into Washington, and stayed unchallenged for 14 years. After laughing at the present antics of the Left, conservatives might do well to ponder this sobering fact.

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With several milleniums of political experience, the Near East lives in no fool's paradise. The sensational retreat of Russia from Northern Iran was very gratifying to the Arab States and Turkey. But their governments have prudently decided not to take any chances with the Russian network which, through Communist organizations, has been about its customary business of stirring up trouble in the area between the Black and Red Seas. Accordingly, a conference in Baghdad has been called to compare notes and organize more effective resistance to leftist agitation. So far Turkey, Iraq and Egypt have responded, but representatives of Lebanon, Syria, Transjordan and Saudi Arabia are also expected. The Turks, on the morrow of the fall of the Azerbaijan puppet government, suppressed Communist front parties and publications, with numerous arrests. Iraq has acted with similar force.

However, the leaders of these countries are wise enough to see that repressive measures are not enough. George Weller in the Chicago Daily News reports that on the agenda of the Baghdad conference will be a study of means to improve the social conditions which have provided fertile soil for Communist efforts. Land distribu-

tion, and easing of high interest rates and rents, are remedies proposed.

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The current believe-it-or-not phenomenon in Washington is the much discussed fact that a job bringing \$30,000 a year, free from all taxes, and bearing an impressive title, is going begging. We refer to the position of President of the World Bank. Of two Canadian banking moguls supplicated, and Mr. Sproul of the New York Federal Reserve also beseeched, none found it possible to accept the honor so hastily deserted by Mr. Eugene Meyer. Next, former Assistant Secretary of War J. J. McCloy was approached in New York, came to Washington and made inquiries as to why Mr. Meyer had resigned, then silence. Meanwhile, there comes the news that Australia and New Zealand have declined to join the Bank's membership. Basic difficulties, among them the problem of floating loans in the American money market, are said to discourage potential candidates for the top job as well as for membership (See Not Merely Gossip, December 11, 1946). Even if someone should finally accept the presidency, the Capital would question Truman's statement to Congress that "we have made a good start on economic cooperation through the International Bank."

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The labor drive for a 25 per cent increase in wages is not dead by any means, although unions would probably settle for much less. The famous Nathan report, on which the demands are based, is still a target for critical economists. One of the best critics is Mr. George Terborgh, who has written a most persuasive analysis in the Machinery and Allied Products Institute Bulletin (December 19).

Terborgh attacks the "fallacy" of Nathan's statistical parallels -- a point not sufficiently brought out. Nathan, he points out, compared the present level of profits, which the CIO says is excessive, to the 1936-39 rate of return on net worth. Those four years, he says, "in reality were themselves years of depression" with an average of 8 1/2 millions unemployed. Prior to the war, there had been no year since 1929 that could even remotely be described as a year of full employment and production.

Terborgh goes back to the years 1909 to 1929, skipping the war years of 1917 and 1918, to find a fair standard for measuring profits. The average ratio of corporate profits to the national income in those years was 9.75 per cent. Even if Nathan's estimate of \$15 billions as the annual rate of corporate profits after taxes were correct, profits today would be yielding less than 9 per cent.

But Nathan's figure of \$15 billions is deceptive. Corporate profits today contain a large temporary element of inventory appreciation due to the tremendous rise in prices of industrial raw materials during recent months, says Terborgh, who adds, "Industry . . . under existing accounting practices has been carrying into profit a large inventory appreciation which is bound to disappear whenever raw material prices level off and turn downward, as they seem certain to do over the next few months." He lops off \$3 billions, for this item, from Nathan's \$15 billion estimate.

Approximately, Terborgh says, profits at present are reckoned after depreciation allowances based on the original cost of the assets, and these allowances are quite insufficient in view of the higher levels of plant and equipment costs, to preserve the invested capital in terms of purchasing power. He therefore knocks off another billion, bringing the total down to \$11 billions, or about 6 1/2 per cent of national income.

How would a 25 per cent increase in wages affect profits? Terborgh calculates that such an increase would bring actual profits, after taxes, down to \$2 billions a year -- a figure which inspires his remark: "He (Nathan) might as well abolish profits entirely and be done with it."

Notes and Quotes

President Truman climaxed a long campaign for release of conscientious objectors when he announced (December 22): "Freedom of conscience is basic to our American tradition of individual liberty. Acting under the powers granted the President by the Constitution, I have today issued an executive order creating the President's Amnesty Board. This Board will examine the cases of all persons convicted under the Selective Training and Service Act of 1940 and will recommend those persons it deems deserving of executive clemency."

Former Supreme Court Justice Owen J. Roberts heads the board which will recommend full pardons with restoration of citizenship to those among the 11,000 violators of the Selective Service Act held to be entitled to them. The designation of all violators of the Act was evidently made by the President in order to include men not officially regarded as conscientious objectors, such as Puerto Rican nationalists, Indians, Japanese-Americans, etc. Of the approximately 400 still in prison about 375 are Jehovah's Witnesses.

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While American "liberals" are raising funds to pay the costs of Professor Harold J. Laski's unsuccessful libel suit against a British newspaper, we gather from the British Newspaper World (December 7) that the Laski defeat was actually a triumph for the freedom of the press. When the controversial Leftist professor was heckled at an election meeting, the Newark Advertiser reported him as saying in answer to a question that if British Labor could not obtain what it needed by general consent, "we shall have to use violence even if it means revolution." Laski sued the paper for libel, claiming that he had not made such a statement. The jury returned a verdict for the defendant.

This verdict, says the Newspaper World, "established an important principle in newspaper reporting." Newspapers are protected against libel actions when they report accurately and fairly public meetings -- for instance, campaign speeches -- where the matter is of public concern. It should follow from that, said the presiding judge, that questions put to candidates and speakers and the answers should also be a "matter of public concern," but he let the jury decide as to this. "The jury," says Newspaper World, "decided that it was, and its decision will greatly strengthen the position of newspapers in their task of keeping the public informed. So long as they give an 'accurate and fair' report on such occasions they will be safe in the knowledge that they are protected from any action for libel."

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One recommendation advanced by the House Committee on Un-American Activities stands in contrast to the victories for civil liberties described above. Formerly known as the Dies Committee, this body has a good record for exposing the insidious network of "front" organizations. Its files contain a detailed picture of the greatest conspiracy against our traditional form of government since the days of Aaron Burr. Subversive elements -- and many innocent dupes of their propaganda -- have attempted to end the life of the most valuable investigating committee on Capitol Hill. It is most unfortunate, therefore, that the House body has given real ammunition to its enemies, by calling for the denial of second-class mail privileges to foreign-language papers which fail to print column-for-column translations in English of their contents. This indeed smacks of the bigotry which prevailed in the era following World War I when a number of vicious statutes directed at "furriners" were passed. It is encouraging to note that the Republican who will head the Committee in the Eightieth Congress has come out in opposition to this proposed infringement of the freedom of the press.